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THE WHITE HOUSE
WASHINGTON

January 20, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON
JIM LYNN

FROM:

JIM CONNOR *JEC*

SUBJECT:

Financial Assistance for
Elementary and Secondary
Education Act

The President reviewed your memorandum of January 16 and approved the following:

First Issue The extent to which the Federal Funds should be earmarked.

Option 1 - OMB and Domestic Council approach.

Second Issue Whether we should use this program to encourage States to equalize within-State expenditures for education.

Option 2 - OMB recommendation - with understanding Domestic Council would not object.

Third Issue That the "sweetner" have a programmatic base.

Option 2 - OMB and Domestic Council approach.

Fourth Issue Remove from the program and propose a separate mini-consolidation for adult education funds and that portion of vocational education funds which go for other than elementary and secondary education.

Option 3 - Domestic Council approach.

Please follow-up with appropriate action.

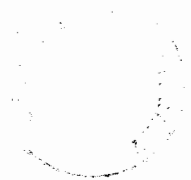
cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE FILE

On Sunday, January 18 Terry
O'Donnell gave this to Jim
Cavanaugh --- We received in
Jim Connor's office on January 19.

Trudy Fry



THE WHITE HOUSE
WASHINGTON

January 17, 1976

Mr. President:

The attached was not received in sufficient time to allow us to get the views of senior staff such as Jack Marsh, Phil Buchen, Max Friedersdorf, et al.

Domestic Council requested that it be sent in immediately because of implications for the SOTU.

Jim Connor

THE PRESIDENT HAS ~~SEEN~~

THE WHITE HOUSE

WASHINGTON

January 16, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON *J.C.*
JIM LYNN *J.L.*

SUBJECT: Financial Assistance for Elementary
and Secondary Education Act

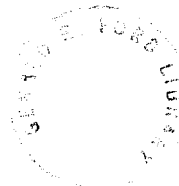
This is to seek your views on a few issues which HEW wishes to raise regarding the implementation of your decision to seek consolidation of elementary and secondary education programs in FY 1977.

At Tab A is a short note from Secretary Mathews explaining why he believes some of the outstanding issues are linked to your statements on quality education as an alternative to busing. At Tab B is a more detailed paper prepared by HEW, the first 2½ pages of which describe those parts of the program on which there is agreement.

Discussion

The first question is the extent to which the Federal funds should be earmarked. OMB and the Domestic Council believe it is sufficient to say that 75% of the Federal funds go to serve populations with special needs (the disadvantaged and the handicapped) without any further requirement for specific amounts for either the handicapped or the disadvantaged. OMB and the Domestic Council would also recommend that 75% of all Federal funds pass through to the local education agencies (LEAs). OMB and the Domestic Council believe this approach is relatively straightforward and provides considerable flexibility to the States.

HEW would prefer to require States to specify amounts to be spent (not necessarily the Federal funds) on supplementary services for the disadvantaged. HEW would also require States to focus vocational education funds on special need groups.



HEW believes legal pressures for increased handicapped programs will shift State spending from compensatory education to the handicapped if the OMB/Domestic Council approach is followed. HEW further believes that the fear of such a shift will cause the entire proposal to fail in Congress.

HEW believes its approach is simpler and calls for less tracking of Federal funds. HEW believes that to be consistent with your support of quality education as a better approach than busing you should earmark funds for compensatory education. It believes its recommendations assure that the needs of the educationally disadvantaged are met and that they will be afforded a quality education.

OMB and the Domestic Council do not believe the shift in funds from the disadvantaged will happen to any significant degree. Furthermore, should States make such a shift, OMB believes it is consistent with the general approach of block grants to give the States flexibility to so decide.

OMB and the Domestic Council are unimpressed by HEW's arguments and see no connection between HEW's recommendation and your statements on quality education. OMB and the Domestic Council also feel that HEW's approach calls for so much in the way of specific State expenditure (albeit not necessarily Federal funds) that it would lead to a loss of much of the benefit of a consolidated program with few strings.

Decision

Option 1 (OMB and Domestic Council approach) NR7

Option 2 (HEW approach) _____

A second issue is whether we should use this program to encourage States to equalize within-State expenditures for education. Because education is generally financed by local property revenues, there may be wide disparities within a State as to the resources available for education. This issue has been before the courts in a number of States. Both with and without court action many States have begun to act to correct the situation. There is no Constitutional or legal obligation on the Federal government to address the issue.

HEW believes we should use the "sweetner" part of the budget request to reward States which work toward an equalization effort with an eventual maximum disparity of 30%. This would permit extra expenditures where comparable education, in fact, costs more. This approach would give the "sweetner" a programmatic reason for existing; would be consistent with previous Congressional interest in the problem as reflected in the Education Amendments of 1974; and could also be linked to your concern for quality education.

OMB believes the HEW approach is unnecessary and unwise: unnecessary because the States are already moving on their own and unwise because it might open the door to demands for a larger Federal financial contribution to solving the problem of equalization.

The Domestic Council believes HEW has surfaced an idea worth considering but is not satisfied HEW has adequately answered questions as to how it would implement its suggestion. While the Domestic Council cannot endorse the HEW recommendation, if you are interested in exploring a Federal incentive for within-State equalization the Domestic Council could work with HEW to develop the specifics of a plan with the understanding that such a plan would have to be developed and approved within the next two weeks if it is to be part of this proposal.

Decision

- Option 1 (HEW recommendation) _____
- Option 2 (OMB recommends _____ Domestic Council would not object) MEY _____
- Option 3 (Domestic Council further study approach) _____

Regardless of your decision on the previous issue, HEW urges that the "sweetner" have a programmatic base. If you do not want to get involved in within-State equalization, HEW would use the "sweetner" to reward States on some other basis -- such as efforts at education of the handicapped or the maintenance of a "quality education system."

OMB believes the HEW approach adds nothing to your program and would be difficult to administer. The Domestic Council believes your decision on the previous issue (within-State equalization) disposes of this question. The Domestic Council would not agree with HEW that the "sweetner" must be used for a reward.

Decision

- Option 1 (HEW approach) _____
- Option 2 (OMB and Domestic Council approach) MR7

Finally, HEW raises an issue which, although somewhat foreclosed by the printing of the budget, is worth bringing to your attention.

HEW would remove from the program and propose a separate mini-consolidation for adult education funds and that portion of vocational education funds which go for other than elementary and secondary education. HEW believes it inappropriate to include such funds in an elementary and secondary education program. HEW also believes its change would safeguard the populations being served by the adult and postsecondary vocational education programs and would enhance the political viability of the proposal on the Hill. HEW's approach would mean taking out \$68 million for adult education and \$205 million of the present total of \$539 million for vocational education.

The budget has already gone to press with the full amount of the adult education and vocational education programs in the consolidated proposal. Nevertheless, HEW's approach could be considered as a modification we might want to make to our own proposal at a later date.

OMB understands HEW's concerns but feels the overall consolidation effort is weakened the moment particular programs are pulled out.

The Domestic Council believes HEW's recommendation is programmatically defensible, that it might enhance chances for building support for the consolidation effort and that it should be favorably considered. The Domestic Council would recommend you indicate you feel HEW has raised a valid question, that you do not want to make such a change in the proposal at this time but that you would be prepared to have this issue raised again once the proposal in its present form is introduced and we see the reaction to it, and can measure whether the HEW suggested change would indeed increase support for the proposal.

Decision

- Option 1 (HEW approach -- not a fully viable alternative now because budget printed) _____
- Option 2 (OMB approach) _____
- Option 3 (Domestic Council approach) MR7

Attachments

A

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

JAN 16 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Financial Assistance for Elementary and Secondary
Education Act

I have had opportunity to review Jim Cannon's and Jim Lynn's separate memo to you on the above subject as well as a longer HEW draft memorandum which is being furnished to you. My own comments on the Cannon/Lynn memo follow. These comments flow from two central convictions:

- . In moving to a fully shared goal of simplified, more flexible and less regulated program structures, we cannot overlook adequate protection of the disadvantaged groups which brought the Federal government into the picture in the first place.
- . However meritorious our proposals in conceptual purity, failure to recognize political realities risks summary dismissal of good ideas without a hearing.

Earmarking of funds

The disagreement among the three of us concerns what protection, if any, should be afforded to the compensatory education programs for the disadvantaged population. OMB and the Domestic Council believe that the state's political processes will protect these programs, and, even if they do not, it is inconsistent with block grant philosophy to provide special protection.

I believe the inclusion of some protection for compensatory education has substantive merit and advances a positive approach on your part. The special educational needs of the various populations to be served under the block grant will not be treated in an even handed manner. The handicapped will be protected not only by state political and legal pressures, but also by Federal enforcement of anti-discrimination provisions. Comparable enforcement of civil rights provisions for the disadvantaged cannot protect compensatory education programs. Your

position supporting quality education as a better solution than busing will be enhanced by protecting the largest Federal program aimed at increasing quality (i.e., compensatory education). In addition, the absence of some protections for compensatory education will arouse the opposition of some groups which could otherwise be neutralized.

Within-State Equalization

It seems to me an appropriate Federal role to encourage reduction of the disparity among school districts, specifically that which cannot be explained by legitimate cost and need differentials. This role is really not a new one since the Federal government has long taken the posture that its objective was to assist in providing equal educational opportunity. The Congress has recognized this role in an explicit way in the Education Amendments of 1974. In the absence of such encouragement, the impact of Federal funds for children with special needs can be more than off-set by such disparities. Such an incentive would give us something to be "for" that can appeal to the education community. Further, I think OMB overstates the potential for perverting this proposal into a Federal program to buy equalization.

Vocational Education

The inclusion of adult and post-secondary vocational education in an elementary and secondary education block grant does not, in my view, make substantive sense. Further, it will be seen in a number of states as a Federal intrusion forcing organizations' consolidation of programs which they now choose to treat separately. In lumping them together I believe we needlessly increase the wrath of the vocational educational lobby. While I recognize that splitting out the adult and post-secondary vocational education portion at this time may present technical problems with the budget, I would hope that you would approve such a split at least as a negotiating position with the Congress.


Secretary

13





JAN 12 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Specifics of the Elementary and Secondary
Education Consolidation Proposal

You have previously decided to seek consolidation of elementary and secondary education programs in FY 1977. The purpose of this memorandum is to seek your decisions on a few outstanding issues regarding implementation of your decision. To enable you to better understand the framework in which these issues are raised, we start by describing those areas in which we are in agreement.

ISSUES UPON WHICH THERE IS AGREEMENT

Programs included in the consolidation and overall budget level

Agency/Appropriation	Budget Authority
Elementary and Secondary Education Act of 1965:	
Titles I, II, III, IV, and V	\$ 2,210 M
Education of the Handicapped Act (excluding deaf/blind)	220 M
Vocational Education Act of 1963	539 M
Adult Education Act	68 M
Incentive ("sweetener")	263 M
TOTAL	\$ 3,300 M

The overall total is only \$10 million less than the FY 1976 enacted budget and thus reduces our vulnerability to the criticism that consolidation is a guise for budget cutting.

Distribution of Federal Funds to States

In the initial year, allocations to States will remain approximately equal to the allocation they are presently receiving under the categorical programs included in the block grant. A hold-harmless provision will limit how much more or less Federal funding a State may receive in comparison to what it received in the previous year. State entitlements will be determined on the basis of a uniform national formula (e.g., 60 percent low-income school-age population, plus 40 percent general school-age population adjusted for a State's average per pupil expenditure). Alternative formulas to approximate achievement of the above mentioned hold-harmless objective are presently being simulated.

State Certification and Audit Requirements

The head of the State Education Agency or some other responsible officer of the State will be required to certify to the Department that funds will be utilized for the purposes required by the law. This certification will be based on a State plan for utilization of the funds which was developed with full public participation. A stringent audit of State performance against this certification by an independent entity will be required. Adequate public notification of both the certification and audit results will be required (sunshine provision).

Penalty Provisions for Non-Compliance

A provision for the cutting off of Federal funds would be included where audit results indicate that a State has failed to meet its commitments. The amount of the penalty assessed would be in relation to the degree of non-compliance.

Treatment of Non-Public School Children

Where State law prohibits or limits participation of non-public school children otherwise eligible for services from the programs included in this consolidation on an equitable basis, it must so notify the Commissioner of Education. The Commissioner will then determine the equitable proportion of the State's entitlement necessary to serve these children and reserve it from the State's allocation.

The Commissioner will utilize the reserved funds to arrange, by contract or otherwise, to serve the non-public school children. Similarly, if, after affording notice and opportunity for a hearing, the Commissioner determines that a State has substantially failed to provide for the participation of non-public school children, he will reserve funds from the State's entitlement and arrange to serve those children.

Compliance with the Civil Rights Act and Related Statutes

No State may discriminate against a participant on the basis of race, sex, national origin or handicapping conditions. A State's entitlement to Federal funds will be reduced in proportion to the number of participants in LEAs found to be discriminating.

ISSUES REQUIRING RESOLUTION

Issue 1 -- What should be the eligibility requirements (other than civil rights compliance)?

Alternative 1:

Seventy-five percent of Federal funds must go for populations with special needs, such as disadvantaged and handicapped. States would not be required to spend any specific percentage of the 75 percent on any special need group. An additional requirement is that States pass 75 percent of the Federal funds through to their local education agencies (LEAs) and that the LEAs develop a plan and certification. Funds must be used for the purpose of the programs included in the block grant.

Pro

- . Concentrates the bulk of Federal funds (75%) upon special need population.
- . Pass through of 75% of Federal funds to local education agencies concentrates funds on special needs at the most effective level.

- . Relatively straightforward and provides considerable flexibility to the States for utilization of Federal funds.

Con

- . Your public statements suggesting that we should be concentrating our efforts on the provision of quality education rather than busing would appear to be inconsistent with this alternative. The absence of a requirement to spend a specific percentage of funds on the education of the disadvantaged provides an inducement to States to utilize their funds for the handicapped rather than the educationally disadvantaged (i.e., the poor and educationally deprived). This inducement will be particularly strong given Federal statutes prohibiting discrimination against the handicapped. The absence of any maintenance of effort provision makes a shift of funds from the educationally disadvantaged to the handicapped even more likely.
- . A continuing requirement will exist to ensure that 75 percent of the Federal funds going to the States go to special needs populations and that the funds go for the purposes of the programs included in the consolidation. This will require continued tracking of Federal funds and inhibits the coordination of Federal, State, and local funds targeted upon the same objective.
- . Requirement of a LEA plan and criteria does not substantially reduce present administrative burden.
- . Inclusion of 25 percent of the funds for the purposes of programs included in the consolidation does nothing to preclude a State from retaining all 25 percent for administrative purposes, thus actually reducing direct services to children. Further, it raises the question of general Federal support for education with uncertain budgetary consequences.
- . The political viability of the option is substantially impaired by its failure to provide safeguards for the educationally disadvantaged and vocational education populations.



Alternative 2:

Initially, a State must certify that it will spend an amount for services to the educationally disadvantaged (regardless of funding source) equal to the amount of Federal funds it received in the previous year for such services. (It should be noted that "educationally disadvantaged" refers to compensatory education children presently being served by Title I.) Upon completion of a transition period, a State would be required to certify that it will serve all children identified as "educationally disadvantaged" on the basis of a State-selected objective measure of educational achievement. In the area of vocational education, a State must certify that a certain percent of its elementary and secondary vocational education program is targeted on special need groups and that program offerings are designed to prepare students for employment in the labor market of the State (and adjacent areas as appropriate).

It should be noted that selection of this alternative does not necessitate that each of the requirements be selected (i.e., protection of the "educationally disadvantaged" could be required, but not the targeting of vocational education funds on special need populations).

Pro

- . This alternative is consistent with your statements regarding busing and quality education by assuring that the needs of all special education populations, to include the "educationally disadvantaged", are met. Further, it provides the foundation upon which a new desegregation policy can be established, as you have requested.
- . Eliminates the need to track Federal funds and develop LEA plans, thus greatly reducing the administrative burdens on all elements of the education community while providing flexibility to the States to coordinate Federal, State, and local funds in the most efficient manner possible.
- . By tying Federal funds to specific but limited eligibility requirements, the issue of general support to education is not raised.



- . Utilization of the transition period as an adjustment factor permits the gradual incorporation of new categorical programs, as well as the development of a rational eligibility requirement which more accurately reflects educational deprivation than does a low-income proxy.
- . Safeguarding the interests of the educationally disadvantaged significantly enhances the political viability of the legislation.
- . The legislation will simplify administration at the State and local level, particularly after the transition period, because of the absence of requirements to track Federal funds and to develop both State and local plans.

Con

- . If you choose to move toward a more direct measure of educational deprivation, a second distribution formula and eligibility requirement will be required, although it will be done only after an appropriate study and adjustment period.
- . Development of consensus on an appropriate direct measure of educational deprivation may prove difficult.
- . Lacks the simplicity of alternative 1.

DECISION

_____ Alternative 1	Favored by OMB and Domestic Council
_____ Alternative 2	Favored by HEW

If alternative 2 is selected, HEW recommends inclusion of all components of the eligibility requirement.



Issue 2 -- Should this proposal be used to encourage States to address the question of within-State equalization of expenditures for education?

The problem is that because education is generally financed by local property tax revenues there are wide disparities within a State as to the resources available for education in different communities. This issue has been before the courts in many States. In a number of States considerable progress has already been made toward alleviating the problem. There is, however, no Constitutional or legal obligation for the Federal government to address this issue.

Alternative 1:

Make no effort to link this proposal to within-State equalization efforts.

Pro

- . Prevents the Federal government from assuming an explicit new role in education.

Con

- . Is inconsistent with on-going reform initiatives at the State level (e.g., implementation of the Serrano decision in California) and Congressional interest in taking action in this area as evidenced by provisions in P.L. 93-380 which provide assistance to States for planning within-State equalization.

Alternative 2:

Without advocating any particular form of within-State equalization and without establishing an explicit new Federal role, creates incentives for States to address the issue. This would be done via use of the "sweetener" which you have already agreed to include in your budget request. The incentive would be provided to States on a graduated basis dependent upon the degree of equalization they have achieved. The maximum disparity in per pupil expenditure required would be approximately 30 percent which could

effect a shift in funding patterns of from \$1.5 to \$2 billion (a modest amount in comparison with the over \$50 billion expended annually by non-Federal sources for education).

Pro

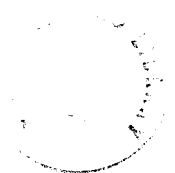
- . This alternative is consistent with your statements regarding quality education and busing in that it encourages States to reform their education systems to more equitably serve all children. At present, within-State expenditure disparities significantly dilute the impact of Federal funding for special needs populations. The elimination of these disparities could benefit those urban areas which are suffering a steady decline in property tax base, with a resultant decline in resources to meet the needs of students in areas with high concentrations of minority students.
- . Is consistent with on-going reform initiatives at the State level and Congressional initiatives.
- . As mandated by the Education Amendments of 1974, standards for equalization have already been developed and published for comment in the Federal Register.
- . Permits the use of the "sweetener" to reward those States which are making an effort to provide a high quality educational system.

Con

- . Extends the Federal involvement in this area beyond that already required by the Education Amendments of 1974.
- . Would require a cut-off point for the incentive in order to minimize the problem of expanding Federal general support for education.

Alternative 3:

Indicate your interest in pursuing the notion of linking within-State equalization with this proposal, but defer a final decision until receipt of a more in-depth analysis of how it would be implemented.



Pro

- . Has all the advantages of alternative 2, but permits additional time to more fully explore its ramifications.

Con

- . Would require the drafting of legislative specifications reflecting both inclusion and exclusion of within-State equalization in the proposal.

DECISION

_____	Alternative 1	Favored by OMB
_____	Alternative 2	Favored by HEW
_____	Alternative 3	Favored by Domestic Council

Issue 3 -- Should the "sweetener" be used to reward States who are making an effort to provide a high quality educational system?

Alternative 1:

The \$263 million is utilized solely as an inducement to Congressional enactment of the proposed legislation.

Pro

- . Simplifies technical development by the Administration of a distribution formula which achieves the hold-harmless objective.
- . By maintaining funding at approximately the same level as the FY 1976 budget for programs in the consolidation, enhances the political viability of the proposal.

Con

- . By simply including the \$263 million as a lump sum in the block grant, fails to reward States who are making an effort to provide a high quality educational system.



Alternative 2:

Utilize the \$263 million to reward States who are making an effort to provide high quality educational services in a given area, e.g., within-State equalization.

If you elect not to pursue within-State equalization, HEW would propose to utilize the \$263 million to reward States who are making an effort to provide high quality educational services in such areas as education of the handicapped and reduction of educational deprivation.

Pro

- . Puts the Federal government in a posture of encouraging educational reform and is consistent with your objective of achieving quality education. This also enhances the viability of the proposal with both the Congress and the educational community.
- . As in alternative 1, maintaining funding at approximately the same level as the FY 1976 budget for programs in the consolidation, enhances the political viability of the proposal.

Con

- . Technical development by the Administration of a formula which achieves the hold-harmless objective will be more difficult.

DECISION

_____ Alternative 1 Favored by OMB

_____ Alternative 2 Favored by HEW

Favored by Domestic Council
only if you decide to make
an effort at within-State
equalization.

Issue 4 -- How should adult and postsecondary portions of vocational education be treated in the consolidation?

Alternative 1:

Adult education and the postsecondary portions of vocational education are included in the elementary and secondary education consolidation.

Pro

- . Accomplishes an immediate and uncomplicated consolidation of all categorical vocational education programs.

Con

- . The political viability of the alternative is substantially impaired because vocational education interest groups will strongly oppose total elimination of their separate program identities without assurances that funds will continue to be targeted on their area of concern.
- . Programs which are not considered part of elementary and secondary education are included in the consolidation -- this raises questions as to the intent of the proposal. This is particularly true because of inclusion of the Adult Education Act in the consolidation.

Alternative 2:

The vocational education program would be divided into elementary and secondary and postsecondary portions with funds allocated to each on the basis of the percent of each population presently being served by the program. Based on FY 1974 Federal expenditures for vocational education, 38 percent or \$205 million out of \$539 million would be excluded from the elementary and secondary block grant consolidation. The elementary and secondary portion would be included in the block grant consolidation and States could be required to meet the eligibility requirements cited above. The postsecondary portion would be consolidated with present adult education authorities and provided to States on a formula basis with no requirements concerning its use attached.

Pro

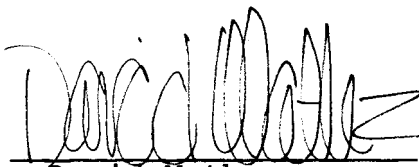
- . Removing adult and postsecondary vocational education programs from the consolidation, as well as considering the establishment of minimum eligibility requirements in the area of elementary and secondary vocational education, enhances the political viability of the alternative with both the Congress and the educational community.
- . Provides positive safeguards for the populations presently being served by the adult and postsecondary vocational education programs.

Con

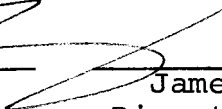
- . Will require more complicated legislative specifications.

DECISION

_____ Alternative 1	Favored by OMB
_____ Alternative 2	Favored by HEW and Domestic Council



David Mathews
Secretary
Department of Health,
Education and Welfare



James T. Lynn
Director, Office of
Management and Budget

James M. Cannon
Director
Domestic Council



THE WHITE HOUSE

WASHINGTON

January 16, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON *J.C.*
JIM LYNN *J.L.*
SUBJECT: Financial Assistance for Elementary
and Secondary Education Act

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HEW believes legal pressures for increased handicapped programs will shift State spending from compensatory education to the handicapped if the OMB/Domestic Council approach is followed. HEW further believes that the fear of such a shift will cause the entire proposal to fail in Congress.

HEW believes its approach is simpler and calls for less tracking of Federal funds. HEW believes that to be consistent with your support of quality education as a better approach than busing you should earmark funds for compensatory education. It believes its recommendations assure that the needs of the educationally disadvantaged are met and that they will be afforded a quality education.

OMB and the Domestic Council do not believe the shift in funds from the disadvantaged will happen to any significant degree. Furthermore, should States make such a shift, OMB believes it is consistent with the general approach of block grants to give the States flexibility to so decide.

OMB and the Domestic Council are unimpressed by HEW's arguments and see no connection between HEW's recommendation and your statements on quality education. OMB and the Domestic Council also feel that HEW's approach calls for so much in the way of specific State expenditure (albeit not necessarily Federal funds) that it would lead to a loss of much of the benefit of a consolidated program with few strings.

Decision

Option 1 (OMB and Domestic Council approach) NR7

Option 2 (HEW approach) _____

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OMB believes the HEW approach is unnecessary and unwise: unnecessary because the States are already moving on their own and unwise because it might open the door to demands for a larger Federal financial contribution to solving the problem of equalization.

The Domestic Council believes HEW has surfaced an idea worth considering but is not satisfied HEW has adequately answered questions as to how it would implement its suggestion. While the Domestic Council cannot endorse the HEW recommendation, if you are interested in exploring a Federal incentive for within-State equalization the Domestic Council could work with HEW to develop the specifics of a plan with the understanding that such a plan would have to be developed and approved within the next two weeks if it is to be part of this proposal.

Decision

- Option 1 (HEW recommendation) _____
- Option 2 (OMB recommends ^{MC} Domestic Council would not object) _____
- Option 3 (Domestic Council further study approach) _____

Regardless of your decision on the previous issue, HEW urges that the "sweetner" have a programmatic base. If you do not want to get involved in within-State equalization, HEW would use the "sweetner" to reward States on some other basis -- such as efforts at education of the handicapped or the maintenance of a "quality education system."

OMB believes the HEW approach adds nothing to your program and would be difficult to administer. The Domestic Council believes your decision on the previous issue (within-State equalization) disposes of this question. The Domestic Council would not agree with HEW that the "sweetner" must be used for a reward.



Decision

- Option 1 (HEW approach) _____
- Option 2 (OMB and Domestic Council approach) MRJ

Finally, HEW raises an issue which, although somewhat foreclosed by the printing of the budget, is worth bringing to your attention.

HEW would remove from the program and propose a separate mini-consolidation for adult education funds and that portion of vocational education funds which go for other than elementary and secondary education. HEW believes it inappropriate to include such funds in an elementary and secondary education program. HEW also believes its change would safeguard the populations being served by the adult and postsecondary vocational education programs and would enhance the political viability of the proposal on the Hill. HEW's approach would mean taking out \$68 million for adult education and \$205 million of the present total of \$539 million for vocational education.

The budget has already gone to press with the full amount of the adult education and vocational education programs in the consolidated proposal. Nevertheless, HEW's approach could be considered as a modification we might want to make to our own proposal at a later date.

OMB understands HEW's concerns but feels the overall consolidation effort is weakened the moment particular programs are pulled out.

The Domestic Council believes HEW's recommendation is programmatically defensible, that it might enhance chances for building support for the consolidation effort and that it should be favorably considered. The Domestic Council would recommend you indicate you feel HEW has raised a valid question, that you do not want to make such a change in the proposal at this time but that you would be prepared to have this issue raised again once the proposal in its present form is introduced and we see the reaction to it, and can measure whether the HEW suggested change would indeed increase support for the proposal.

Decision

- Option 1 (HEW approach -- not a fully viable alternative now because budget printed) _____
- Option 2 (OMB approach) _____
- Option 3 (Domestic Council approach) MRJ

Attachments

1/17 130
NOTE:

Cavanagh brought back
said need decision for 50%
fact sheet -- so sent into Marshall
cars staffing S.

THE WHITE HOUSE
WASHINGTON

1/17
attached
and sent

Jim -

I think this is a very confusing
memo ----

If you accept it as it is written I
would plan to staff it to:

Buchen
Marsh
Friedersdorf
Hartmann
Morton ?
Seidman
~~_____~~
Greenspan?

Agree?

Trudy

THE WHITE HOUSE
WASHINGTON

January 17, 1976

MEMORANDUM FOR: JAMES H. CAVANAUGH
FROM: JAMES E. CONNOR
SUBJECT: Cannon/Lynn Memo of January 16
Financial Assistance for Elementary
and Secondary Education Act

Jim, is this a decision memo or an intelligence test?

I have a feeling that a better job could be done of making this understandable, not necessarily for the President, but at least for the Staff Secretary.

